

# Audit Report

Family Health Center, Inc.  
WIC Program

October 1, 2006 – September 30, 2007



Office of Audit  
Quality Assurance and Review Section  
December 2008



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF COMMUNITY HEALTH  
OFFICE OF AUDIT  
400 S. PINE; LANSING, MI 48933

JANET OLSZEWSKI  
DIRECTOR

December 30, 2008

Moses L. Walker  
Interim President and CEO  
Family Health Center, Inc.  
117 West Paterson  
Kalamazoo, Michigan 49007

Dear Mr. Walker:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) fiscal review of the Family Health Center, Inc. WIC Program for the period October 1, 2006 through September 30, 2007.

The final report contains the following: description of agency; funding methodology; purpose; objectives; scope and methodology; conclusions; and Statement of MDCH Grant Program Revenues and Expenditures. No exceptions were noted during our review.

Thank you for the cooperation extended our auditors.

Sincerely,

A handwritten signature in cursive script that reads "Debra S. Hallenbeck".

Debra S. Hallenbeck, Manager  
Quality Assurance and Review  
Office of Audit

cc: Stan Bien, Director, WIC Division  
Pam Myers, Director, Office of Audit  
David Figg, Audit Manager, Office of Audit

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## **DESCRIPTION OF AGENCY**

The Family Health Center, Inc. (“Agency”) is organized as a not-for-profit agency, under the provisions of 501(c)(3) of the Internal Revenue Code. The Agency’s administrative office is located in Kalamazoo, Michigan. The Agency operates under the legal supervision and control of its Board of Directors.

The Agency serves more than 50,000 individuals throughout Kalamazoo County. Program services provided by the Agency include the Women Infants and Children (WIC) Supplemental Food Program, as well as primary health care in family practice medicine, pediatrics, internal medicine, obstetrics, gynecology and dental services.

## **FUNDING METHODOLOGY**

The Agency receives funding from various sources including: U.S. Department of Health and Human Services, and from grant programs administered through the Michigan Department of Community Health (MDCH). MDCH grant funding is reimbursed monthly, based on Financial Status Reports, in accordance with the terms and conditions of the grant agreement and budget.

Grant funding from MDCH for the WIC Program is federal funding under federal catalog number 10.557, and is first source funding, subject to performance requirements. That is, reimbursement from MDCH is based upon the understanding that a certain level of performance (measured in caseload established by MDCH) must be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

## **PURPOSE AND OBJECTIVES**

The purpose of this audit was to assess the WIC Program internal controls and financial reporting, and to determine the MDCH share of WIC Program costs. The following were the specific objectives of the audit:

1. To assess the Agency’s effectiveness in establishing and implementing internal controls over the WIC Program.
2. To assess the Agency’s effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Agency.

## SCOPE AND METHODOLOGY

We examined the Agency's records and activities for the fiscal period October 1, 2006 to September 30, 2007. Our review procedures included the following:

- Reviewed the most recent Family Health Center, Inc. Single Audit report for any WIC Program concerns.
- Completed the internal control questionnaire.
- Reconciled the WIC Program Financial Status Report (FSR) to the accounting records.
- Reviewed a sample of payroll expenditures.
- Tested a sample of expenditures for program compliance, and policy and approval procedures.
- Reviewed applicable cost allocations for reasonableness, and an equitable methodology.
- Reviewed WIC equipment inventory records.
- Reviewed WIC coupon inventory controls.

Our audit did not include a review of program content or quality of services provided.

## CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

### INTERNAL CONTROLS

**Objective 1:** To assess the Agency's effectiveness in establishing and implementing internal controls over the WIC Program.

**Conclusion:** The Agency was effective in establishing and implementing internal controls over the WIC Program. No internal control exceptions were noted.

### FINANCIAL REPORTING

**Objective 2:** To assess the Agency's effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

**Conclusion:** The Agency generally reported their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. No financial reporting exceptions were noted.

## **MDCH SHARE OF COSTS**

**Objective 3:** To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Agency.

**Conclusion:** The MDCH obligation under the WIC Program for fiscal year ended September 30, 2007, is \$329,377. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit made no adjustments affecting WIC grant program funding.

**Family Health Center, Inc.**  
**WIC Supplemental Food Program**  
**Statement of MDCH Grant Program Revenues and Expenditures**  
**10/1/06 - 9/30/07**

	<b>BUDGETED</b>	<b>REPORTED</b>	<b>AUDIT ADJUSTMENT</b>	<b>ALLOWABLE</b>
<b>REVENUES:</b>				
MDCH Grant	\$357,401	\$329,377 <sup>1</sup>	\$0	\$329,377
Local and Other Funds	\$0	\$0	\$0	\$0
<b>TOTAL REVENUES</b>	\$357,401	\$329,377	\$0	\$329,377
<b>EXPENDITURES:</b>				
Salary and Wages	\$270,111	\$229,991	\$0	\$229,991
Fringe Benefits	\$54,696	\$49,734	\$0	\$49,734
Supplies	\$4,350	\$9,442	\$0	\$9,442
Travel	\$5,224	\$9,533	\$0	\$9,533
Other Expense	\$23,020	\$30,677	\$0	\$30,677
Indirect Cost	\$0	\$0	\$0	\$0
<b>TOTAL EXPENDITURES</b>	\$357,401	\$329,377	\$0	\$329,377

<sup>1</sup> Actual MDCH payments provided on a performance reimbursement basis.